

FRAUD FACTS:

Insurance Fraud is any deliberate deception perpetrated against or by an insurance company or agent for the purpose of unwarranted financial gain. It occurs during the process of buying, using, selling, and underwriting insurance.

What Are the Effects of Fraud?

Insurance Fraud – whether committed by sophisticated criminals, otherwise honest consumers, or by insurance company employees and owners – is an increasingly expensive burden on the U.S. economy, taking money out of the pockets of all citizens. This illegal activity diverts vital resources away from businesses, law enforcement, the civil justice system, regulatory agencies and local emergency services.

Even though someone else may commit it, insurance fraud is a crime that affects every consumer in a big way. The estimated cost of insurance fraud nationwide runs as high as \$80 billion a year, or nearly \$950 for each family, the Coalition Against Insurance Fraud estimates.

According to the National Insurance Crime Bureau, fraud inflates the cost of each consumer's insurance premiums by \$200 to \$300 per year. And that's only the beginning. Insurance fraud pushes up the cost of everything you buy and use because every company that produces goods or services pays for insurance as a cost of doing business. When fraud boosts their insurance rates, they have to charge you more for goods and services. Bottom line? Insurance fraud makes everything more expensive for everybody.

What are the Different Kinds of Insurance Fraud?

Insurance fraud is often classified as being either "hard" or "soft". Hard fraud is usually a deliberate attempt either to stage or invent an accident, injury, theft, arson or other type of loss that would be covered under an insurance policy.

Hard fraud occurs when sophisticated conspiracies involving medical doctors, lawyers and their patients/clients are widespread and one of the most costly forms of insurance fraud in the United States. A single crime ring can cost the insurance system millions of dollars a year.

Hard fraud is also committed by executives and employees within the insurance industry. An employee may defraud an insurance company

by accepting bribes or kickbacks from body shops or doctors to verify false claims. Another example is an insurance agent who fails to remit policyholder premiums to the insurance company. The agent pockets the premiums and hopes the policyholder does not file a claim.

Soft fraud, or opportunity fraud, occurs when a policyholder or claimant exaggerates a legitimate claim. One example is the car owner involved in a fender bender who inflates the claim to cover the policy deductible or the cost of insurance premiums.

Soft fraud also occurs during the underwriting process when people apply for new or renewal coverage. Some people provide false information to lower insurance premiums or increase the likelihood that the application for insurance will be accepted.

Auto Insurance Fraud

Some examples of this are:

- Phony injury claims, where criminals lie about the harm they or others have sustained in an accident.
- Inflated damage claims, in which criminals falsify the extent of damage or the true cost of repairs to their vehicles. Example: an insurance cheat adds previous damage to a legitimate claim, or conspires with a body shop and/or claims adjuster to pad a repair estimate.
- Phony thefts, where the owner simply abandons a vehicle and then claims it was stolen (known as an "owner give-up")
- Staged accidents, such as the intentional rear-end collision
- Falsely claiming a one-car accident was a "hit and run."
- Inventing injuries to people who were not even in the vehicle at the time of the accident (known as jump-ins)

Health Care Fraud

In terms of total dollars, the most substantial amount of fraud is committed by health care providers, including physicians, dentists, chiropractors, hospitals, pharmacies, labs, nursing homes and medical equipment suppliers. This may take any of several forms:

- Billing for services not actually rendered (often using genuine patient names to fabricate entire claims)
- Providing services such as tests, surgeries, or other procedures that are not medically necessary;

- Waiving patient co-pays and overbilling the insurance carrier;
- Billing for a more costly service than was actually performed (this is called upcoding)
- Billing each stage in a procedure as if it were a separate procedure (known as "unbundling");
- Accepting kickbacks for referrals.
- In addition, patients themselves also commit insurance fraud by:
- Filing claims for services not provided (e.g., fake prescriptions);
- Forging receipts or altering information on actual receipts;
- Embellishing , adding to or just plain lying about services received;
- Encouraging a health care provider to inflate or misrepresent the service provided.

Health insurance fraud is not committed exclusively by individuals acting alone. Institutions or groups of individuals can also be found employing sophisticated promotional techniques to lure unwitting consumers into their schemes. Sometimes organized gangs of criminals will even set up phony clinics from which to generate fraudulent claims.

Homeowner's Insurance Fraud

Some examples of this are:

- Overstating the loss involved with an actual burglary;
- Staging a phony burglary or vehicle break-in and faking a loss;
- Lying about the extent, cause, date or location of legitimate damage;
- Intentionally creating damage;
- Making a claim for a loss that was already paid for by other insurance or through a prior claim;
- Asking a repair person to "cover your deductible" within their estimate;
- Fabricating supporting evidence—often in collusion with a crooked contractor, plumber, repairperson, or insurance adjuster.

How Does Insurance Fraud Affect Us Here In North Dakota?

While the instances of insurance fraud in North Dakota are relatively low, the national trend for fraud related cases is on the rise, so we could start to see our situation run more parallel with the rest of the

country. The bad news about insurance fraud is that that it affects us all—no matter who you are, what you do, or where you live. For this reason, we should all be aware of insurance fraud and its impact. The good news is we can all do our part to prevent insurance fraud.

How Can We Protect Ourselves From Fraud?

- Never sign blank insurance claim forms;
- Demand detailed bills for repair and medical services;
- Make sure "free services" aren't actually hidden in your insurance bill;
- Be wary of buying insurance from door-to-door, telephone, or internet salespeople;
- Be suspicious if the price of insurance seems too low to be true;
- Contact the North Dakota Department of Insurance to make sure the agent and company are licensed;
- Keep your insurance identification number secret; insurance crooks can steal it and involve you in scams;
- Be wary if a car suddenly pulls in front of you, forcing you to follow dangerously close. You may be set up for a staged accident;
- After an auto accident, be careful of strangers who offer you quick cash or urge you to see a specific medical clinic, doctor or attorney. They could be part of a fraud ring;

Contact the North Dakota Department of Insurance at 1.800.247.0560 if you think you are being scammed or someone asks you to take part in a fraud.